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## MR. BLAINE ON THE TARIFF.

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ON the 24th of August Mr. Blaine made a speech in which he recommended the policy of protection with all the authority which he could command as statesman and economist. He gave his reasons. It is proposed to examine those reasons.

He commenced by giving his construction of the recent industrial and political history of this country. He affirmed that we have had prosperity for the last twenty-five years, and that this prosperity has been due to the tariff, which of course must mean that we should not have been prosperous but for the tariff. The "comparative dullness" of some years is easily accounted for by the fact that the Democrats have had control of the House for twelve years, and have annually threatened the tariff. The tariff is therefore the talisman of national prosperity. Statesmanship consists in guarding it ; political economy in inventing arguments for it.

There has hardly been a year since 1861 when there have not been propositions both to raise the tariff and to lower the tariff. These propositions have reached very various stages of legislative advancement. Those to raise the tariff have generally come from Republicans, who wanted to "readjust" the tariff and make it more "equitable." Those to lower the tariff have generally come from Democrats, who wanted to "reform" it. The propositions to raise the taxes have always alarmed one set of interests, and those to lower it have always alarmed another set of interests, for all industries are so interdependent that a legislative interference with one of them is sure to affect a large number of others, and any change whatever must affect different interests in opposite ways. Hence the protective system sets our own industries in conflict with each other, and exposes them all to constant insecurity and peril. The assertion that the American people have been fright-

ened into hard times by fear lest the Democrats should overthrow the tariff, when the people have seen that the Democrats cannot unite their party for even the preliminary steps of legislative action in that branch of the legislature which they control, is one which may be left without comment to stand on its own merits.

Mr. Blaine sees the proof of the blessing of protection in the statistics of savings-bank deposits in the nine great protected States—New England, New York, Pennsylvania, and New Jersey.

The statistics of savings banks contribute valuable evidence of changes in the well-being of the classes which chiefly use savings banks, provided that the statistics are adequate, trustworthy and correctly treated. If we had good statistics, covering a sufficient period, showing the amounts deposited, amounts drawn, and interest credited, then we might, by studying the fluctuations in the net amount deposited, draw some inferences as to the increase or decrease of the earnings of these classes, the increase or decrease of frugality amongst them, and the increase or decrease of their familiarity with savings banks and confidence in them. These inferences would be entangled with each other, and it would be only by extraneous evidence that we could decide in a particular case which inference should be regarded as the correct one from the facts as they appear. If we should find evidence that the increased deposits were due to increased earnings, nothing in the figures could show to what economic or moral cause increased earning power was due.

Mr. Blaine, in his argument, illustrates three or four of the worst vices in the misuse of statistics. He says that the effect of a generation of free trade is shown in the fact that the savings-bank deposits, in the nine States, in 1861, were only \$160,000,000. Is that much or little? What are the figures worth without a standard of reference? He then makes a comparison of the amount of these deposits in 1861 with their amount in 1886. Plainly this is comparing an absolute amount on one side with a growth on the other. Further on, he compares the amount of the deposits in our nine States with the amount at the same time in the United Kingdom, without the slightest attempt to eliminate other elements than the one he pretends to be studying. Having deduced prosperity from the figures, he attributes that prosperity to a certain economic experiment, without the slightest warrant, or a word of verification.

The first savings bank in this country dates from 1816. The institutions spread slowly but steadily, and were quite well established in New Hampshire, Massachusetts, Rhode Island, Connecticut, and New York, by the middle of the century. At the present time they exist, or reports of them are known to the Comptroller of the Currency, only in Maine, Vermont, Pennsylvania, Maryland, District of Columbia, Ohio, Indiana, Minnesota, and California, in addition to the five States already mentioned.\* Out of 1,095 million deposits in 1885, all but 107 million were in the nine States which Mr. Blaine takes into account.

The deposits in 1835 were 10.6 million ; in 1845, 24.5 million ; in 1860, 150 million ; in 1874, 864 million ;† in 1885, 1,095 million. If we ignore the short-lived tariff of 1842, and call the period from 1835 to 1860 the "free trade generation," the rate of increase of these deposits during that period was  $11\frac{1}{2}$  per cent. per annum. In the low-tariff period, from 1845 to 1860, the rate of increase was 14 per cent. per annum. In the 25 years of protection, from 1860 to 1885, the rate of increase was 8 per cent. per annum for the whole country, and for the nine States less. The rate of increase from 1860 to 1874 was  $14\frac{1}{2}$  per cent.; from 1874 to 1885 it was  $2\frac{1}{3}$  per cent. If the deposits of 1874 had been left to accumulate at 4 per cent. per annum, compounded semi-annually, without any new deposits, the amount in 1885 should have been nearly 1,350 million.

Do these figures then prove anything in favor of low tariff ? Certainly not ; but, when we remember that savings banks were unfamiliar and few during the first period, and that these advancing figures carry with them compound interest on the undrawn part of the old deposits, we see how utterly fallacious any argument is which is based upon them.

As for Maine, which Mr. Blaine makes a special case, there are no statistics of savings banks there before 1855. In 1874 the deposits were 31 million dollars. In 1885 they were 33 million. The increase is far less than the interest which should have accrued on the deposits of 1874, if they had been left undrawn. Hence the people of Maine, so far as the savings-bank deposits indicate anything, have been living up, during the last part of the protective period, the savings of the first part.

\* Report of the Comptroller for 1885, p. 180.

† II., "Keyes's History of Savings Banks," 532.

Mr. Blaine says that "it must be remembered that 75 per cent. of this sum belongs to the wage-workers." No one has any data for anything but the roughest guess as to the proportion in which the savings-bank deposits are owned by one class or another. In general, savings banks are most useful to those who have no land on which to employ capital, and no opportunity to employ capital directly in industry. Not more than one person in five of those who are productively employed in the nine States either is or can be protected. The proportion of savings-bank deposits which belong to those who either are or may be protected cannot be known or guessed at. The savings-bank deposits, therefore, throw no light whatever on the free trade controversy. The savings of the people are made from all the industries of the people. Such part of the savings as convenience may dictate are brought to the savings-banks. No relation between any one group of industries and the savings-bank deposits can be established. To affirm such a relation is to make a reckless assertion.

Turning next to the Northwestern States, Mr. Blaine says :

"The figures with which we are dealing have been confined to the nine States named, because in 1861 the manufacturing done in this country was mainly confined to those States. But the thousand millions of savings by the workers within their borders become still more significant, as an economic fact, when we remember that since 1861 the great body of Northwestern States, under the inspiring influence of a protective tariff, have in turn developed an enormous aggregation of manufacturing industries. Ohio, Indiana, Michigan, Illinois, Wisconsin, are no longer devoted to agriculture solely, but have a mass of manufacturing industries larger in aggregate value than all the manufactures in all the States of the Union on the day Mr. Lincoln was first inaugurated."

He here abandons the savings-bank deposits as a criterion of tariff-created prosperity, for the very good reason that there are few or no savings banks in these five States. The Comptroller of the Currency has report of only 14 millions of savings-bank deposits in them all. Mr. Blaine finds that in some way the thousand million deposits in the Eastern States are "significant" of the benefit of protection to the five Western States. The Eastern manufacturers have won strength, skill, and independence, according to tariff theories, by being shielded from competition with the older nations of Europe, but they have forced the Western States to develop manufactures either in free competition with them or not

at all. If there had been a tariff between the East and the West, one could see that the growth of manufactures in the West could be used as an argument consistently with protectionist dogmas. As it is, that growth is the most conclusive proof that the protectionist dogmas are all false.

The free traders have always maintained that, if any Americans win anything by the tariff, they must win it at the expense of other Americans, and they have maintained that, in general, the agricultural States must pay for all which the manufacturing States win by the tariff. If now Mr. Blaine has used savings-bank deposits as a criterion of tariff blessings, and if he finds that the Western States have few or no deposits, he cannot quietly drop the criterion until he thinks it will serve his purpose again to compare American and English facts. It behooves him to ward off the inference that when we look at the deposits in the East, we are looking at part of the spoil which the protective system has enabled one part of our people to wrest from the other, provided always that Mr. Blaine is right in ascribing the big Eastern deposits to the tariff.

Let us suppose, for the sake of the argument, that he has established a relation of cause and effect between the tariff and the deposits. If the question were whether horse jockeys pursue a useful industry, no light would be thrown upon that question by showing that the jockeys have large sums in the savings bank. If a lawyer who made a good professional income should spend it in yachting, his sailors might put part of their wages in the savings bank. The statistics of savings banks could not be quoted to prove that yachting increases national wealth. The employees in a national dock-yard, or the officers and men in the army or navy, might save large sums and put them in the savings banks. This would not prove that national welfare was increased by collecting taxes to be expended on iron-clads or on a standing army. So long, then, as the point in issue between free traders and protectionists is whether all protected industries are not parasites on other industries, Mr. Blaine's appeal to the savings-bank statistics are of no force; for, if his whole argument were granted him, it would only prove that the parasites profit by the arrangement. If he undertook to meet this point, he would have to drop all his savings-bank statistics and face the question of the nature and effect of protective taxes.

In the next paragraph he returns to the savings-bank statistics,

in order to try to make an argument against free trade in England.

“And yet another comparison may be made, still more embarrassing to the free trade doctrinaires and more difficult for them to answer. While the American workmen in nine States, working under a protective tariff, have over a thousand millions of dollars in saving banks, the vastly greater mass of workingmen in England, Ireland, Scotland, and Wales, the whole United Kingdom, all working under free trade, have less than four hundred millions of dollars, in the aggregate, both in saving banks and postal banks. These figures and these dollars are the most persuasive of arguments, and the conclusion they teach is so plain that the running man may read.”

If any free trade doctrinaire should be embarrassed by this argument, he may retaliate by asking Mr. Blaine why there are few or no savings-bank deposits in twenty-five States of this Union, in spite of the protective tariff. To answer this, Mr. Blaine will have to show what other considerations must be taken into account besides the savings-bank statistics. Then he will have to allow other considerations to be taken into account in the case of the United Kingdom, and then it will not be the free trader who will be embarrassed.

Thus it appears that the argument from savings-bank statistics, as Mr. Blaine uses it, is only a tangle of crude and *naïve* blunders. The large amount of deposits in one place proves nothing for or against protection, and the small amount in another place proves nothing for or against free trade. The debts of Western farmers are just as good an evidence of prosperity, when used properly and within proper limits, as the savings of Eastern artisans and servant girls.

Mr. Blaine recurs to the tariff when he comes to warn the wages class of the dangers which he thinks they should apprehend. When he turns to the South it appears that even a protective tariff cannot secure prosperity and high wages unless there is universal suffrage, not only by law, but in fact. His construction of the situation is this: Southern negroes have the suffrage by law, but are prevented by the Democrats from using it. This enables their employers to force down their wages arbitrarily. The negroes are forcing their way into the mechanic arts, the building trades being especially mentioned. They thus come into competition with Northern laborers, and force down Northern wages. From the doctrines here put forward it would follow that

the employers of women, minors, and aliens, can depress their wages below the market rate ; also that, since aliens cannot vote without a property qualification in Rhode Island, that fact depresses wages generally in Connecticut ; also that denying the suffrage to women in the East lowers wages in Wyoming, where they have it. Mr. Blaine's remedy is as fantastic as his diagnosis. Let the wage-receivers vote the Republican ticket. Then the Republicans will give the suffrage to the Southern negroes more than they have it now. (How this is to be done we are not told.) Then the negroes will force up their wages, and this will raise those of Northern mechanics.

If, however, we accept Mr. Blaine's assumption that there is any trouble at all as regards the entrance of the negro into the labor market, it is plain, on his own showing, that the trouble is all due to emancipation, which has set the negro free to learn the mechanical employments, and to change his place of abode if he chooses. As he cannot be returned to slavery, the next best thing, according to the Blaine theory of politics and political economy, would be to put a protective tariff on the "imaginary line" which separates the highly paid Northern whites from the poorly paid Southern blacks, just as we have, most shrewdly, according to Mr. Blaine, separated our artisans from the miserably paid artisans of Europe. There would be a further advantage in this remedy, that it would be all ready for application to the case of the Western men ; for, when they ask why their wages are higher than Eastern wages, and how they are to be protected from the competition of low-priced Eastern labor, another protective tariff could be set up on the imaginary line between East and West. This would bring Mr. Blaine, at last, face to face with one of the ultimate absurdities of protectionism, the question which no one can answer : How big should the territorial unit be on which the protective scheme is applied ? If the interests of wage-workers require that those in a district where wages are higher should be shielded by a tariff against competition with those in a district where wages are lower, then the place to see the iniquity and immense mischief of free trade to the wages class is not England but the United States. Mr. Blaine has stumbled upon the proof of it in showing how the Southern negroes have been put into the labor market in free competition with all other laborers in the United States. His political remedy may be left out of account, because, if the Republicans were in full



power to-day, they could not do the first thing to affect the use of the suffrage by the Southern negroes. Therefore, Mr. Blaine has either shown to the wages class the immense wrong they suffer from free trade inside this Union, or he has made a *reductio ad absurdum* of protectionism.

W. G. SUMNER.